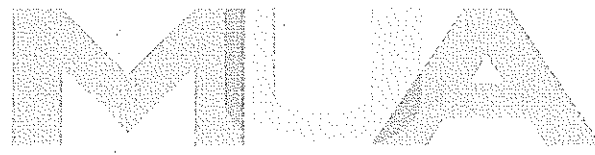


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/**  
**BACHELOR OF COMMERCE**

**BML 100/ BCM 114: FINANCIAL ACCOUNTING EXAM**

**DATE: 10<sup>TH</sup> APRIL 2019**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

(a) Explain the following concepts as used in accounting:

- (i) Going concern concept (2 Marks)
- (ii) Accrual concept (2 Marks)
- (iii) Business entity concept (2 Marks)

(b) Distinguish between 'capital expenditure' and 'revenue expenditure'.

(2 Marks)

(c) The following trial balance was extracted from the books of Umoja Traders, a sole proprietorship business as at 30<sup>th</sup> June 2018:

Account	Dr.	Cr.
	Shs.	Shs.
Stock as at 1 <sup>st</sup> July 2017	820,000	
Purchases and Sales	2,630,000	3,960,000
Returns outwards		30,000
Returns inwards	40,000	
Salaries and Wages	450,000	
Insurance	30,000	
Electricity and Water	26,000	
Stationery	42,000	
Advertising	54,000	
Telephone and Postage	21,000	
Rent and Rates	75,000	
Discounts	16,000	24,000
Land and Buildings at cost	2,000,000	
Motor vehicle at cost	1,200,000	
Furniture at cost	160,000	
Provision for depreciation on Motor vehicle		480,000
Provision for depreciation on Furniture		16,000
Debtors and Creditors	200,000	140,000
Cash in hand	14,000	
Capital		3,000,000
Drawings	22,000	
Bank overdraft		150,000
	7,800,000	7,800,000

Additional information as at 30<sup>th</sup> June 2018:

- (i) Stock was valued at Sh 985,000.
- (ii) Accrued electricity expenses Sh 4,000.

- (iii) Telephone expenses owing Sh 3,000.
- (iv) Insurance premium paid in advance Sh 7,000.
- (v) Rent and Rates prepaid Sh 18,000.
- (vi) Bad debts Sh 20,000 are to be written off and a provision for doubtful debts to be made at 3% of the remaining debtors.
- (vii) Depreciation is to be provided for at the rate of 20% on Motor vehicle using straight line method, and at the rate of 10% per annum on Furniture using the reducing balance method.

### Required

- (i) Trading and profit and loss account for the year ended 30<sup>th</sup> June 2018. (10 Marks)
- (ii) Balance sheet as at 30<sup>th</sup> June 2018. (7 Marks)

### QUESTION TWO

The following information relates to Neema Traders, a sole proprietorship business during the month of June 2018, its first month of trading:

2018

- |      |    |   |
|------|----|---|
| June | 1  | Started business with sh 600,000 cash                                       |
| "    | 2  | Opened a business bank account and deposited cash sh 500,000                |
| "    | 3  | Purchased stock of goods sh 30,000 cash from Fairdeal Stockists             |
| "    | 5  | Bought goods sh 26,000 on credit from B. Cherono                            |
| "    | 10 | Returned goods sh 2,000 to B. Cherono                                       |
| "    | 13 | Bought stationeries for office use sh 6,000 cash from Njia Panda Stationers |
| "    | 16 | Sold goods sh 43,000 on credit to J. Wangu                                  |
| "    | 17 | Bought goods sh 62,000 on credit from Fadhili Enterprises                   |
| "    | 18 | Goods returned by J. Wangu sh 3,000   |
| "    | 18 | Sold goods sh 58,000 on credit to Z. Mtendaji                               |
| "    | 19 | Purchased office equipment sh 36,000 by cheque from General Machines        |
| "    | 21 | Goods returned by Z. Mtendaji sh 2,800                                      |
| "    | 25 | Received sh 43,000 cheque from J. Wangu                                     |
| "    | 27 | Paid B. Cherono by cash the amount owed to her                              |
| "    | 28 | Paid Fadhili Enterprises sh 42,000 by cheque                                |
| "    | 29 | Refunded cash to J. Wangu for the amount overpaid by her                    |
| "    | 30 | Paid insurance by cheque sh 68,000  |

**Required**

- (a) Record the above transactions in their respective ledger accounts and balance off the ledger accounts on 30<sup>th</sup> April 2018 (ignore entries into books of prime entry; for cash and cheque transactions, two use a column cash book). (10 Marks)
- (b) Extract a trial balance as at 30<sup>th</sup> April 2018. (5 Marks)

**QUESTION THREE**

- (a) State any five (5) contents of a 'partnership deed' (5 Marks)
- (b) The trial balance of Magwanja Electronics failed to balance as at 31<sup>st</sup> July 2018. The Debit side had a total of Sh. 82,600 while the Credit side had a total of Sh. 106,800. An investigation of the books of accounts revealed the following:
- (i) Purchases account was undercast by sh. 10,000
  - (ii) Sales account was overcast by sh. 16,000
  - (iii) Office supplies expenses of sh. 8,600 was debited on the Office equipment account
  - (iv) An invoice of sh. 6,000 received for credit purchase of stationeries from Hadasa Stationers had been misplaced and so no entries for the transaction had been made in the books of accounts
  - (v) A sale on credit sh. 7,200 to M. Magero was debited on M. Magajo account and credited on sales account
  - (vi) A purchase of Furniture by cheque sh. 24,000 was debited on the Purchases account and credited on the Cash account
  - (vii) Returns inwards of sh. 2,400 was entered in the account as sh. 4,200
  - (viii) Payment of rent sh. 12,000 was debited on the cash account and credited on the rent account

**Required**

Prepare a Suspense account and Journal to correct the above errors.

(10 Marks)

**QUESTION FOUR**

- (a) Outline any five (5) causes of discrepancies between cash book balance (bank columns) and bank statement balance. (5 Marks)
- (b) The following transactions were carried out by Maendeleo Suppliers during the month of April 2018:

2018

- April 1 Balances brought forward: Cash sh 42,000; Bank sh 74,000.
- " 2 Received cheques less 5% discount from customers who owed us the following amounts: G. Cregg sh 5,200; J. Madu sh 7,800; L. Maad sh 6,500.
- " 4 Cash sales paid directly into bank sh 4,800.
- " 5 Paid rent sh 6,400 by cash.
- " 8 We paid the following amounts, being net of 4% cash discount by cheque: D. Stua sh 2,400; P. Boit sh 4,800; K. Solo sh 7,200.
- " 12 Withdrew cash sh 10,000 from the bank for business use.
- " 15 Cash sales sh 6,400.
- " 18 Paid wages by cash sh 3,500.
- " 22 J. Bage paid us his account of sh 10,000 by cheque less 6% cash discount.
- " 25 Bought furniture by cheque sh 14,000.
- " 26 We paid the following accounts by cheque: F. Mtoi sh 3,200 less sh. 100 cash discount; L. Mwai sh 6,000 less 3% cash discount.
- " 28 Bought supplies sh 18,000 by cheque.
- " 30 Bought stationery sh 3,000 by cash.

**Required**

Prepare a three-column cash book to record the above transactions, balance off the cash book at the end of the month and show the discount accounts in the general ledger. (10 Marks)

**QUESTION FIVE**

(a) Differentiate between

- i. Limited partnership and Limited companies (2 marks)
- ii. Bonus issue and Rights issue (2 marks)
- iii. Memorandum of association and Articles of associations (2 Marks)

(b) Manukato Enterprises commenced trading in cosmetics in January 2018. The following are the transactions carried out during the month:

2018

- January 1 Started business with sh 300,000 cash and sh 800,000 in the bank.
- " 3 Purchased office equipment sh 53,000 by cheque from Progressive Equipments.
- " 5 Bought goods sh 48,000 on credit from Z. Chakari
- " 7 Bought goods sh 23,000 on credit from A. Charlos
- " 9 Returned goods sh 2,100 to Z. Chakari
- " 10 Sold goods sh 53,000 on credit to L. Wangui
- " 12 Sold goods sh 44,000 on credit to C. Angelica

- " 14 Goods returned by L. Wangui sh 3,600  
 " 15 Goods returned by C. Angelica sh 2,800  
 " 18 Sold goods sh 44,000 on credit to P. Baraka  
 " 28 Sold goods sh 32,000 on credit to S. Nyalenda  
 " 29 Purchased machinery sh 48,000 by cheque from  
 Nano Machineries  
 " 31 Goods returned by S. Nyalenda sh 2,600

**Required**

Record the above transactions in the relevant books of original entry.

(9 Marks)

**QUESTION SIX**

- (a) The following are extracts from the cashbook and the bank statement of K. Viwandani:

Dr.		Cash book (bank columns only)		Cr.	
2018		Sh.	2018		Sh.
Jun 1	Balance b/d	174,000	Jun 10	A. Dossier	34,900
10	J. Mavoko	8,800	17	R. Masaku	3,300
24	L. Chris	7,300	27	G. Kadogo	11,500
28	K. Wekesa	24,900	30	Balance c/d	183,100
30	M. Bikira	17,800			
		232,800			232,800

Bank statement				
2018		Dr.	Cr.	Balance
		Sh.	Sh.	Sh.
Jun 1	Balance b/d			174,000
12	Cheque		8,800	182,800
13	A. Dossier	34,900		147,900
15	Cheque	8,800		139,100
23	R. Masaku	3,300		135,800
25	Cheque		7,300	143,100
28	Credit transfer: J. Walker		5,400	148,500
30	Standing order: Lakes Insurance	4,000		144,500
31	Bank charges	2,200		142,300

**Required**

- (i) Prepare an updated cash book and determine the adjusted cash book balance as at 30<sup>th</sup> June 2018.

(4 Marks)

- (ii) Prepare a bank reconciliation statement as at 30<sup>th</sup> June 2018.

(4 Marks)

(b) The following information is given as at 31<sup>st</sup> March 2018 relating to Wesh, Petosh and Harris who have been trading as partners for the last one year:

- (i) Net profits for the year ended 31<sup>st</sup> March 2018 Sh 640,000.
- (ii) Capital accounts balances b/f: Wesh Sh 120,000; Petosh Sh 80,000; Harris Sh 60,000. Capital accounts are maintained on fixed basis.
- (iii) Current account balances b/f: Wesh Sh22,000 (credit); Petosh Sh10,000 (debit); Harris Sh 6,000 (credit).
- (iv) Drawings: Wesh Sh 15,000; Petosh Sh 8,000; Harris Sh 10,000.
- (v) Interest to be allowed on capital at 5%.
- (vi) Interest to be charged on drawings at 10%.
- (vii) Salaries to: Petosh Sh 50,000; Harris Sh 30,000.
- (viii) Profits to be shared among Wesh, Petosh and Harris in the ratio of 5:3:2 respectively.

**Required**

- (i) Profit and loss Appropriation account (4 Marks)
- (ii) Partners' current account (3 Marks)

